

REPORT
THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
DECEMBER 31, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/31/11

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

REPORT INDEX

DECEMBER 31, 2010 AND 2009

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13 - 14
SUMMARY SCHEDULE OF FINDINGS	15 - 16



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.
HENRY L. SILVIA, C.P.A.

MICHAEL J. O'ROURKE, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., CPA
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

INDEPENDENT AUDITOR'S REPORT

June 21, 2011

Board of Directors
Third District Volunteer Fire Department
10423 Jefferson Highway
River Ridge, Louisiana 70123

We have audited the accompanying statements of financial position of Third District Volunteer Fire Department (a Louisiana nonprofit organization) as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Third District Volunteer Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Third District Volunteer Fire Department as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2011 on our consideration of the Third District Volunteer Fire Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 6)	\$ 1,133,042	\$ 1,029,787
Prepaid insurance	82,191	81,417
Due from employees	966	-
Total current assets	<u>1,216,199</u>	<u>1,111,204</u>
 PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$3,322,981 and \$3,039,516) (Note 2)	 4,264,328	 4,395,539
Construction in progress (Note 2)	<u>-</u>	<u>7,150</u>
Total property and equipment	<u>4,264,328</u>	<u>4,402,689</u>
 Other assets (Note 8)	 <u>292,491</u>	 <u>304,232</u>
TOTAL ASSETS	\$ <u>5,773,018</u>	\$ <u>5,818,125</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 591	\$ 13,782
Accrued expenses	37,556	20,843
Annual leave payable (Note 4)	119,984	94,818
Accrued pension expense (Note 5)	91,368	103,437
Obligations under capital leases (Note 9)	<u>77,448</u>	<u>73,384</u>
Total current liabilities	<u>326,947</u>	<u>306,264</u>
 LONG TERM LIABILITIES:		
Length of Service Award Program (Note 8)	328,290	337,675
Obligations under capital leases, net of current portion (Note 9)	<u>355,130</u>	<u>432,578</u>
Total long term liabilities	<u>683,420</u>	<u>770,253</u>
 TOTAL LIABILITIES	 <u>1,010,367</u>	 <u>1,076,517</u>
 NET ASSETS:		
Unrestricted	<u>4,762,651</u>	<u>4,741,608</u>
Total net assets	<u>4,762,651</u>	<u>4,741,608</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>5,773,018</u>	 \$ <u>5,818,125</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
Unrestricted revenues and gains: (Note 1)		
Contract revenue:		
Jefferson Parish millage	\$ 1,707,996	\$ 1,707,996
Jefferson Parish service charge	332,004	332,004
Insurance rebate	140,821	140,810
Interest	557	2,285
Gain on sale of assets	550	1,000
Miscellaneous	<u>6,129</u>	<u>20,209</u>
Total unrestricted revenues and gains	<u>2,188,057</u>	<u>2,204,304</u>
EXPENSES: (Pages 4 and 5)		
Program services:		
Firefighting	2,037,467	2,103,032
Supporting activities:		
Administration	<u>129,547</u>	<u>133,524</u>
Total expenses	<u>2,167,014</u>	<u>2,236,556</u>
CHANGE IN UNRESTRICTED NET ASSETS	21,043	(32,252)
Net assets - beginning of year	<u>4,741,608</u>	<u>4,773,860</u>
NET ASSETS, END OF YEAR	<u>\$ 4,762,651</u>	<u>\$ 4,741,608</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>Supporting Activities</u>	
	<u>Firefighting</u>	<u>Administration</u>	<u>Total</u>
Beverages	\$ 12,251	\$ 645	\$ 12,896
Breathing apparatus	22,792	-	22,792
Depreciation	269,293	14,173	283,466
First aid supplies	4,200	-	4,200
Insurance	107,018	5,633	112,651
Interest expense	-	28,023	28,023
Legal and accounting fees	15,655	824	16,479
Length of Service Award Program	38,219	2,012	40,231
Maintenance materials	20,038	1,055	21,093
Major repairs and maintenance	32,116	1,690	33,806
Manpower	1,304,680	68,667	1,373,347
Miscellaneous	23,409	1,232	24,641
Oil and gas	31,463	-	31,463
Operating materials	20,938	1,102	22,040
Personal safety equipment	9,244	-	9,244
Stationery and office supplies	5,275	278	5,553
Training	5,586	294	5,880
Travel, entertainment, awards and banquet	13,116	690	13,806
Uniforms	1,324	70	1,394
Utilities	51,425	2,707	54,132
Vehicle maintenance	40,821	-	40,821
Volunteer recruitment	238	13	250
Wellness program	8,366	440	8,806
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ <u>2,037,467</u>	\$ <u>129,547</u>	\$ <u>2,167,014</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program Services</u>	<u>Supporting Activities</u>	
	<u>Firefighting</u>	<u>Administration</u>	<u>Total</u>
Beverages	\$ 10,602	\$ 556	\$ 11,158
Breathing apparatus	14,789	-	14,789
Depreciation	257,859	13,572	271,431
First aid supplies	5,042	-	5,042
Insurance	111,373	5,862	117,235
Interest expense	-	31,874	31,874
Legal and accounting fees	8,895	468	9,363
Length of Service Award Program	124,573	6,556	131,129
Maintenance materials	30,803	1,621	32,424
Major repairs and maintenance	35,109	1,848	36,957
Manpower	1,214,311	63,911	1,278,222
Miscellaneous	26,502	1,395	27,897
Oil and gas	20,926	-	20,926
Operating materials	29,426	1,549	30,975
Personal safety equipment	39,551	-	39,551
Stationery and office supplies	5,728	302	6,030
Training	9,249	487	9,736
Travel, entertainment, awards and banquet	16,526	870	17,396
Uniforms	2,157	114	2,271
Utilities	39,999	2,105	42,104
Vehicle maintenance	91,381	-	91,381
Volunteer recruitment	314	17	331
Wellness program	7,917	417	8,334
	<u>7,917</u>	<u>417</u>	<u>8,334</u>
TOTAL	\$ <u>2,103,032</u>	\$ <u>133,524</u>	\$ <u>2,236,556</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 21,043	\$ (32,252)
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	283,466	271,431
Gain (loss) on sale of property and equipment	(550)	-
Increase in prepaid insurance	(774)	(14,806)
Decrease in other assets	11,741	12,761
(Increase) decrease in due from employees	(966)	4,694
Decrease in accounts payable	(13,191)	(7,161)
Increase in accrued wages payable	16,713	1,775
Increase (decrease) in annual leave payable	25,166	(4,765)
(Decrease) increase in Length of Service Award Programs	(9,385)	8,485
(Decrease) increase in accrued pension expense	<u>(12,069)</u>	<u>5,770</u>
Net cash provided by operating activities	<u>321,194</u>	<u>245,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(144,555)</u>	<u>(743,927)</u>
Net cash used in investing activities	<u>(144,555)</u>	<u>(743,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	<u>(73,384)</u>	<u>(69,533)</u>
Net cash used in financing activities	<u>(73,384)</u>	<u>(69,533)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103,255	(567,528)
Cash and cash equivalents at beginning of year	<u>1,029,787</u>	<u>1,597,315</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,133,042</u>	\$ <u>1,029,787</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

ORGANIZATION:

Third District Volunteer Fire Department (the fire department) was organized in 1951 and provides the citizens of the Third Fire District of Jefferson Parish with fire protection and related services. The fire department is currently under a ten-year contract with Jefferson Parish to provide fire protection to the Third District. The contract expires April 24, 2016. The majority of the fire department's revenue is derived from this contract. At December 31, 2010 the department was operating four stations and had approximately forty-three paid employees and forty-five volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire department's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements of the fire department are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred..

The fire department's statements are presented in accordance with the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASC 958, the fire department is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The statement of activities presents expenses of the fire department's operations functionally between administration and program services for firefighting. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Revenue:

Under the contract with Jefferson Parish, the Parish pays the fire department monthly installments which represent the net proceeds of millage levied annually on the assessed valuation of property in the Third Fire Protection District. In July 2002, the ten-year renewal of a 20-mill property tax was approved by public election. Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue: (Continued)

In addition, the fire department receives revenue from the following:

- A) Insurance Rebates - amount is received annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district.
- B) Jefferson Parish Service Charge - The fire department receives monthly installments based on the number of water meters within the fire district. The assessment of the service charge was approved by public election.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the fire department has defined cash and cash equivalents as time deposits and certificates of deposit with maturities of three months or less. Cash and cash equivalents were as follows as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 400	\$ 317
Cash and cash equivalents in banks	<u>1,132,642</u>	<u>1,029,470</u>
	<u>\$ 1,133,042</u>	<u>\$ 1,029,787</u>

Supplemental Disclosures of Cash Flow Information:

	<u>2010</u>	<u>2009</u>
Cash paid during the year for:		
Interest	\$ 28,023	\$ 31,874
Income taxes	-	-

Donated Services:

FASB ASC 958-605 provides that the value of donated services should be recognized in financial statements if the services require specialized skills, are provided by persons possessing those skills, and the services would be purchased if they were not donated.

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded due to the fact that the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire department's program services.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. PROPERTY AND EQUIPMENT:

Property and equipment with a cost in excess of \$1,000 is capitalized and depreciated over estimated useful lives ranging from five to forty years. Contributed property and equipment is recorded at fair value at the date of donation. Routine repairs and maintenance are expensed as incurred. Depreciation expense for the years ended December 31, 2010 and 2009 was \$283,466 and \$271,431, respectively. The cost and accumulated depreciation of property and equipment are as follows:

	<u>December 31, 2010</u>		
	<u>Property and Equipment - Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property and Equipment</u>
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,569,225	621,455	1,947,770
Fire fighting equipment	642,863	392,086	250,777
Radios	751,878	534,937	216,941
Trucks and other automobiles	2,529,655	1,676,031	853,624
Office furniture and equipment	96,779	72,502	24,277
Computer equipment	48,448	25,970	22,478
Construction in progress	-	-	-
TOTAL	<u>\$ 7,587,309</u>	<u>\$ 3,322,981</u>	<u>\$ 4,264,328</u>

	<u>December 31, 2009</u>		
	<u>Property and Equipment - Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property and Equipment</u>
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,544,669	552,119	1,992,550
Fire fighting equipment	541,683	348,972	192,711
Radios	748,731	491,932	256,799
Trucks and other automobiles	2,524,684	1,557,084	967,600
Office furniture and equipment	88,811	68,478	20,333
Computer equipment	38,016	20,931	17,085
Construction in progress	7,150	-	7,150
TOTAL	<u>\$ 7,442,205</u>	<u>\$ 3,039,516</u>	<u>\$ 4,402,689</u>

During 2003, a fire truck was acquired under a capital lease at a cost of \$310,377. The amortization expense for the years ended December 31, 2010 and 2009, included in depreciation expense, was \$20,692 and \$20,692, respectively. Accumulated depreciation in the statements of financial position included \$146,567 and \$125,875 at December 31, 2010 and 2009, respectively, relating to the fire truck. During 2007, land was acquired partially under a capital lease at a cost of \$859,840, see note 9 for the capital lease.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

3. INCOME TAXES:

The fire department is exempt from income taxes under the Internal Revenue Code 501(c)(3). The fire department's tax returns for the years ended December 31, 2009, December 31, 2008 and December 31, 2007 remain open and subject to examination by taxing authorities.

4. ANNUAL LEAVE PAYABLE:

All full time employees of the Third District Volunteer Fire Department accumulate annual leave which is accrued based on years of service and the employee's current rate of pay. At termination of employment, compensation will be paid for all annual leave hours remaining on the books at the employee's straight time rate. No compensation will be paid for any sick leave remaining at termination of employment. As of December 31, 2010 and 2009, the accrued annual leave was \$119,984 and \$94,818, respectively.

5. PENSION PLAN:

The fire department sponsors a defined contribution plan that covers all employees who have at least 1,000 service hours annually.

Contributions to the plan are based on 12% of the gross wages paid by the fire department and the supplemental wages received from the State of Louisiana.

For the years ended December 31, 2010 and 2009, the amount of pension expense was \$91,514 and \$107,863, respectively.

6. CONCENTRATION OF CREDIT RISK:

The fire department's income is derived primarily from the proceeds of an ad valorem tax millage and other funding under a contract with the Jefferson Parish Council to support its firefighting and rescue services.

At various times during 2010 and 2009, the fire department had on deposit cash and cash equivalents in excess of FDIC insurance limits. The amount in excess of FDIC coverage at December 31, 2010 and 2009 was \$870,385 and \$833,823, respectively. At December 31, 2010 and 2009, the financial institution had pledged securities with market values of \$1,051,582 and \$1,810,142, respectively, to offset the risk of loss to the fire department.

7. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

8. LENGTH OF SERVICE AWARD PROGRAM:

The fire department has a nonqualified defined benefit plan covering substantially all of its volunteers. The plan is noncontributory and is administered by a trustee. An actuarial valuation of the plan is prepared annually. The assumed interest rate used in the valuation was 4.75% and 4.75% for the years ended December 31, 2010 and 2009, respectively. Contributions to the plan by the fire department were \$35,553 and \$40,429 for 2010 and 2009, respectively. The recommended contribution for the next year is \$32,969. The amount of cash held by the insurance company to fund this plan for the years ended December 31, 2010 and 2009 was \$292,491 and \$304,232, respectively.

The prior service cost at adoption of the plan was \$163,983. This amount is based on \$5.00 per month per year of past service per participant up to a maximum of twenty years. This cost is being recognized over the average estimated remaining service life of the participants or twenty-six years. The amount recognized in each of the years ended December 31, 2010 and 2009 was \$6,307.

The benefits are based on years of volunteer service to the fire department at \$10.00 for 2010 and 2009, per month up to thirty years of service. The maximum benefit per month under this benefit formula is \$300 for 2010 and 2009. The participant vests after five years of service and is entitled to benefits at age 60. Benefits paid to plan participants were \$2,520 and \$2,562 for the years ended December 31, 2010 and 2009, respectively.

Net periodic cost includes the following components:

	<u>2010</u>	<u>2009</u>
Service and interest cost of the current period	\$ 33,376	\$ 125,477
Actual interest credited	(3,873)	(5,039)
Amortization of unrecognized prior service costs	6,307	6,307
Life insurance premiums	3,277	3,439
Administrative fee	1,144	945
PROGRAM EXPENSE	<u>\$ 40,231</u>	<u>\$ 131,129</u>

The following sets forth the funded status of the plan as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Actuarial present value of accumulated plan benefits for service rendered to date:		
Vested	\$ 387,765	\$ 406,532
Non-vested	<u>9,903</u>	<u>6,828</u>
	<u>\$ 397,668</u>	<u>\$ 413,360</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

8. LENGTH OF SERVICE AWARD PROGRAM: (Continued)

	<u>2010</u>	<u>2009</u>
Actuarial present value of projected benefit obligation	\$ 549,918	\$ 552,293
Plan assets at fair value (included in other assets on the statements of financial position)	<u>(292,491)</u>	<u>(304,232)</u>
Plan assets in deficit of projected benefit obligation	257,427	248,061
Unrecognized prior service costs	<u>(69,378)</u>	<u>(75,685)</u>
(FUNDED)/UNFUNDED PROGRAM COST	<u>\$ 188,049</u>	<u>\$ 172,376</u>
Accumulated plan benefits	\$ 397,668	\$ 413,360
Less: unrecognized prior service cost	<u>(69,378)</u>	<u>(75,685)</u>
PROGRAM LIABILITY	<u>\$ 328,290</u>	<u>\$ 337,675</u>

9. CAPITAL LEASE:

In May 2007, the purchase of land was partially financed under the terms of a capital lease. Future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2010 are as follows:

Year ending December 31:	
2011	\$ 101,407
2012	101,407
2013	101,407
2014	101,407
2015	<u>101,407</u>
Total minimum lease payments	507,035
Less: amounts representing interest	<u>(74,457)</u>
Present value of net minimum lease payments	<u>\$ 432,578</u>

10. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are not included in these financial statements.

11. DATE OF MANAGEMENT'S REVIEW:

The fire department has evaluated subsequent events through June 21, 2011, the date which the financial statements were available to be issued.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.
HENRY L. SILVIA, C.P.A.

MICHAEL J. O'ROURKE, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., CPA
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 21, 2011

To the Board of Directors
Third District Volunteer Fire Department

We have audited the financial statements of Third District Volunteer Fire Department (a Louisiana nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Third District Volunteer Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the fire department's internal control. Accordingly, we do not express an opinion on the effectiveness of the fire department's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as item 2010-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and applicable parish, state or federal agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

**THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Third District Volunteer Fire Department for the year ended December 31, 2010 was unqualified.
2. Internal Control
Material weaknesses: none noted
Significant deficiency: 2010-01
3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

**FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:**

2010-01 ADJUSTING ENTRIES AND FINANCIAL STATEMENT PREPARATION:

Condition

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare Third District Volunteer Fire Department's annual financial statements. This condition is intentional by management based upon the organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement of Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly, do not believe any corrective action is necessary.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Management's Response:

In response to the finding, management feels that is prudent to engage the auditor to prepare the fire department's annual financial adjusting entries and annual financial reports. Management feels that no corrective action is necessary.

PRIOR YEAR AUDIT FINDING:

2009-01 Financial Statement Preparation

This matter has not been resolved; see 2010-01 finding and management's response.